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Message Text

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INFO OCT-01 EUR-25 EA-11 ISO-00 EB-11 SS-20 SAM-01 L-03

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DRAFTED BY: COM/BEWT/SPORTER
COM/BEWT/USSR/HWHEISS
APPROVED BY: EB/OCA/REP:LHPOMEROY
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COM/BEWT/OEWTD/PKRAMARIC
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STATE/EB/TT/MA/JPSTEINMETZ
COM/TI/BIC/CHSULLIVAN
EUR/SOV:JCOLBERT
EUR/EE:ESEGALL(INFO)
EB/EWT-S.HAAS
EUR/RA- J. RANDAHL
EUR/SOV- F. MISCH(INFO)
EB/IFD/W. WITHERELL
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TO AMEMBASSY BONN
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E.O. 11652: N/A
TAGS: ETRD, ETRN, XG, XH, JA, US
SUBJECT: PLACEMENT OF INSURANCE ON SHIPMENTS IN EAST-WEST
TRADE

REF: A-9776 (EAST EUROPEAN ACTION ADDRESSEES ONLY)

BACKGROUND: 1. U.S. MARINE INSURANCE UNDERWRITERS AND BROKERS HAVE INDICATED THAT NO MARINE CARGO INSURANCE IS BEING WRITTEN IN THE U.S. INSURANCE MARKET FOR SHIPMENTS IN U.S.-SOVIET AND EAST EUROPEAN TRADE. THE INSURANCE COMMUNITY BELIEVES THAT A SUBSTANTIAL PROPORTION OF THIS INSURANCE IS WRITTEN BY THE INSURANCE COMPANY OF THE USSR (INGOSSTRAKH) LTD. (PRIOR TO JULY 5, 1973, THE FOREIGN INSURANCE DEPARTMENT OF THE USSR (INGOSSTRAKH), A USSR GOVERNMENT AGENCY). THE INSURANCE ON U.S.AEAST EUROPEAN TRADE IS BELIEVED TO BE WRITTEN EITHER DIRECTLY WITH INGOSSTRAKH OR AS REINSURANCE WITH IT, OR BOTH. BECAUSE MOST U.S. EXPORTS TO EAST EUROPE AND THE USSR GO FOB/FAS PORT OF EXPORT AND CIF FOR U.S. IMPORTS, THE EAST EUROPEAN OR SOVIET BUYER HAS THE OPTION OF PLACING THE INSURANCE COVERAGE IN ANY INSURANCE MARKET HE WISHES. THE U.S. INSURANCE BROKERAGE COMMUNITY FEELS THAT U.S. EXPORTERS HAVE ON SOME EXTENT BEEN PRESSURED INTO SHIPPING OF FOB/FAS TERMS AND HAVE AGREED TO DO SO RATHER THAN RISK LOSING CONTRACTS.

2. THE U.S. INSURANCE COMMUNITY FEELS THAT WESTERN DOMESTIC INSURERS (PRINCIPALLY U.S. COMPETITORS IN THE U.K., FRANCE, GERMANY, ITALY, JAPAN AND CANADA) HAVE BEEN SUBSTANTIALLY DISCRIMINATED AGAINST BY THE SOVIETS AND EAST EUROPEANS IN FAVOR OF SOVIET AND/OR EAST EUROPEAN INSURERS, BOTH IN MARINE CARGO INSURANCE AS WELL AS OTHER INSURANCCE AREAS (E.G., LIABILITY INSURANCE).

3. WE UNDERSTAND THE FRENCH-SOVIET JOINT COMMISSION ON SEPTEMBER 21, 1973 RECOMMENDED THAT DESIGNATED REPRESENTATIVES FROM INGO-SSTRAKH AND THE FRENCH MINISTRY OF ECONOMY AND FINANCE (STATE INSURANCE DEPARTMENT) EXAMINE THE BASIS FOR A FRENCH-SOVIET COOPERATION FOR MARINE INSURANCE. THE FRENCH APPEAR TO BE SEEKING
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TO INSURE IN THE FRENCH MARKET 50 PERCENT OF FRENCH EXPORTS TO THE USSR.

4. WE FURTHER UNDERSTAND THAT THE SOVIETS HAVE APPROACHED THE CANADIAN GOVERNMENT SUGGESTING A POSSIBLE NAVIGATION TREATY. THE CANADIANS APPARENTLY RESPONDED THAT SUCH A TREATY WOULD HAVE TO CONTAIN SUBSTANTIAL COMMERCIAL ADVANTAGES FOR CANADA, INCLUDING PLACEMENT OF MARINE INSURANCE.

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ACTION REQUESTED:

5. TO EVALUATE THE MERITS OF THE INDUSTRY POSITION (DEVELOPED SUBSEQUENT TO REFAIR) ON MARITIME INSURANCE THE DEPARTMENT WOULD APPRECIATE THE ADDRESSEE POSTS PROVIDING ANY INFORMATION THEY MAY HAVE ON EASTERN EUROPEAN OR SOVIET GOVERNMENT REGULATIONS, DIRECTIVES, OR PRESSURES TO FAVOR SOVIET OR EASTERN EUROPEAN INSURERS FOR INSURANCE ON SHIPMENTS IN EAST-WEST TRADE. THE POSTS ARE ALSO REQUESTED TO PROVIDE THE FOLLOWING FURTHER INFORM-ATION, TO THE EXTENT IT IS AVAILABLE:

FOR ALL EAST EUROPEAN POSTS:

6. WHAT PROPORTION AND, IF POSSIBLE, DOLLAR VALUE OF U.S. TRADE, BOTH IMPORTS AND EXPORTS, IS INSURED WITH THE EAST EUROPEAN DOMESTIC COMPANY AND/OR GOVERNMENT DEPARTMENT, BOTH DIRECT INSURANCE AND REINSURANCE?

7. WHAT PROPORTION AND DOLLAR VALUE OF SUCH INSURANCE COVERAGE, BOTH DIRECT INSURANCE AND REINSURANCE, IS PLACED WITH INGO-SSTRAKH?

8. WHAT PROPORTION AND DOLLAR VALUE OF MARINE CARGO INSURANCE FOR EAST-WEST TRADE IS PLACED IN WESTERN INSURANCE MARKETS, PRINCIPALLY BRITISH, FRENCH, GERMAN, ITALIAN, JAPANESE, AND CANADIAN?

FOR ALL WESTERN EUROPEAN POSTS AND TOKYO:

9. WHAT PROPORTION AND, IF POSSIBLE, DOLLAR VALUE OF THE HOST COUNTRY'S EAST-WEST TRADE, BOTH IMPORTS AND EXPORTS, IS INSURED WITH INGOSSTRAKH AND WITH EAST EUROPEAN (POLISH,
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HUNGARIAN, ROMANIAN, CZECHOSLOVAK) DOMESTIC COMPANIES AND/ OR GOVERNMENT DEPARTMENTS, BOTH DIRECT INSURANCE AND REINSURANCE?

10. WHAT PROPORTION AND, IF POSSIBLE, DOLLAR VALUE OF THIS TRADE IS INSURED WITH WHOLLY-OWNED SOVIET INSURANCE COMPANIES CHARTERED UNDER WESTERN HOST COUNTRY LAWS: BLACK SEA AND BALTIC COMPANY, LTD., LONDON; GARANT, VIENNA; AND SCHWARZMEER AND OSTSEE, HAMBURG?

11. WHAT PROPORTION AND, IF POSSIBLE, DOLLAR VALUE OF THIS TRADE IS WRITTEN IN WESTERN DOMESTIC INSURANCE MARKETS (EXCLUDING WHOLLY-OWNED SOVIET COMPANIES)?

12. WHAT PROPORTION AND DOLLAR VALUE OF HOST COUNTRY'S EAST-WEST TRADE INSURANCE IS PROVIDED BY WESTERN GOVERNMENT'S

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OWN EXPORT INSURANCE PROGRAMS (E.G. HERMES), BOTH MARINE CARGO AND OTHER COMMERCIAL RISK INSURANCE COVERAGE?

13. ARE THERE ANY INSURANCE AGREEMENTS BETWEEN HOST COUNTRY GOVERNMENT AGENCIES AND THE APPROPRIATE SOVIET OR EAST EUROPEAN ENTITIES WHICH PROVIDE FOR RECIPROCAL QUOTA-SHARING INSURANCE ARRANGEMENTS, ESPECIALLY WITH REFERENCE TO MARINE CARGO INSURANCE? IF SO, PLEAST SUMMARIZE.

14. DO WESTERN GOVERNMENTS OR WESTERN INSURANCE INDUSTRIES FEEL THAT THE USSR AND/OR THE EAST EUROPEAN COUNTRIES ATTEMPT TO DISCRIMINATE AGAINST WESTERN INSURERS IN FAVOR OF SOVIET OR EAST EUROPEAN INSURERS?

15. PLEASE SEND ANY STATISTICS AVAILABLE ON DISCRIMINATION REFERRED TO IN #14 ABOVE.

QYM FOR PARIS: PLEASE PROVIDE ADDITIONAL INFORMATION ON THE FRENCH POSITION/VIS-A-VIS THE SEPTEMBER 1973 FRENCH-SOVIET JOINT COMMISSION MEETING REFERRED TO ABOVE.

17. FOR OTTAWA: PLEASE PROVIDE ADDITIONAL INFORMATION ON THE MARINE INSURANCE ASPECTS OF THE POSSIBLE SOVIET-CANADIAN NAVIGATION TREATY REFERRED TO ABOVE.

18. DEPARTMENT UNDERSTANDS THE COMPLEXITY OF THIS REQUEST,
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BUT IN VIEW OF A VERY SHORT TIME FRAME PERMITTED, A REPLY AS SOON AS POSSIBLE WOULD BE APPRECIATED. PRIORITY QUESTIONS ARE PARAGRAPHS 6, 7, 9, 11, AND 13. IF POSSIBLE, DEPARTMENT WOULD WELCOME EVEN A PARTIAL RESPONSE DEALING WITH THESE FIRST.

19. PLEASE CABLE REPLY WITH COPIES MARKED BEWT/COMMERCE, ATTENTION SUZANNE PORTER.
KISSINGER

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Message Attributes

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Decaption Date: 01 JAN 1960
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Disposition Approved on Date:
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TAGS: ETRD, ETRN, XG, XH, JA, US
To: BONN MULTIPLE
Type: TE
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